

**Bullock Creek School District**

**Midland, Michigan**

**Annual Financial Statements  
and  
Auditors' Report**

**June 30, 2008**

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**Bullock Creek School District**  
**Members of the Board of Education and Administration**  
**June 30, 2008**

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Members of the Board of Education

Phyllis Ferris	President
Michael Allsop	Vice President
John Stern	Treasurer
Holly Miller	Secretary
Henry Mashue	Trustee
James Nemeth	Trustee
Allen Richard	Trustee

Administration

John Hill	Superintendent
Alison Taylor	Director of Business Services

## **Independent Auditors' Report**

To the Board of Education  
Bullock Creek School District  
Midland, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Bullock Creek School District as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Bullock Creek School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bullock Creek School District as of June 30, 2008, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 12, 2008, on our consideration of the Bullock Creek School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bullock Creek School District's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Yeo & Yeo, P.C.*

September 12, 2008  
Midland, Michigan

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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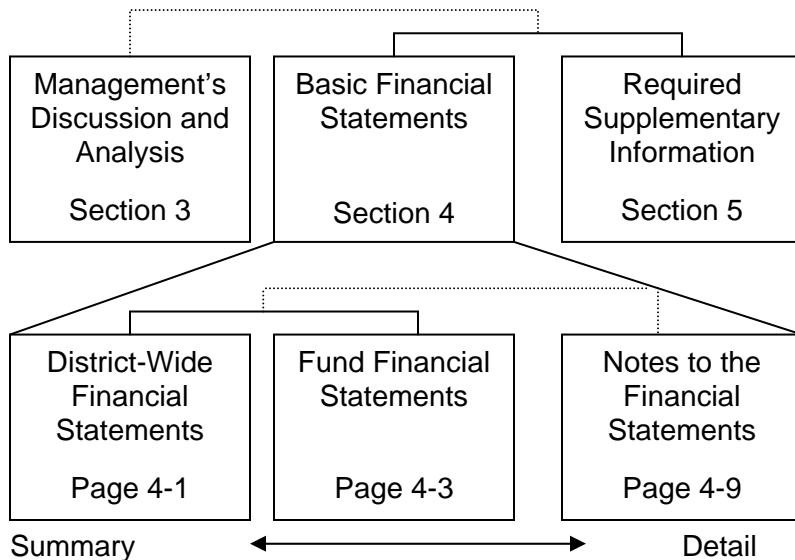
# Bullock Creek School District Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2008

The following discussion and analysis of the Bullock Creek School District's financial performance provides an overall review of the District's financial activities and position for the fiscal year ended June 30, 2008. Readers should also review the financial statements, the notes to the financial statements and the supplementary information to enhance their understanding of the District's financial performance.

## **Overview of the Financial Statements**

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplemental information. The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. The overall organization of this report is shown in Figure A-1.

**Figure A-1  
Bullock Creek School District  
Organization of Annual Financial Report**



The basic financial statements include two kinds of statements that present different views of the District: the district-wide financial statements and the fund financial statements.

## **District-wide Financial Statements**

The District-wide statements provide a perspective of the District as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two District-wide statements: The Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets (page 4-1) combines and consolidates the governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations, regardless of whether they are currently available or not.

Consistent with the full accrual basis method of accounting, the Statement of Activities (page 4-2) accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of various district services.

When analyzed together, the two statements help the reader determine whether the District is financially stronger or weaker as a result of the year's activities.

## **Fund Financial Statements**

The fund financial statements focus on individual parts of the district, reporting the District's operation in more detail than the district-wide statements. The fund level statements are reported on a *modified accrual basis*. Only those assets that are "*measurable*" and "*currently available*" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.



**Bullock Creek School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008**

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's *Public School Accounting Manual*. In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds. The funds used by Bullock Creek School District include Capital Project Funds, Fiduciary Funds, Debt Service Funds and Special Revenue Funds for Food Service and Athletic activities.

Bullock Creek School District is the trustee, or fiduciary, for its student activity funds established for the benefit of our students. These fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. They are excluded from the other financial statements because the District may not use the assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**Financial Analysis of the District as a Whole**

**Summary of Net Assets**

	<b>Governmental Activities</b>		
	<b>June 30, 2008</b>	<b>June 30, 2007</b>	<b>Change</b>
<b>Assets</b>			
Current assets	\$ 7,022,520	\$ 8,004,256	\$ (981,736)
Capital assets	27,921,826	27,939,779	(17,953)
Less accumulated depreciation	(8,887,075)	(8,486,212)	(400,863)
Capital assets			
net book value	19,034,751	19,453,567	(418,816)
Total assets	26,057,271	27,457,823	(1,400,552)
<b>Liabilities</b>			
Current liabilities	5,651,892	5,782,498	(130,606)
Noncurrent liabilities	13,983,385	14,703,694	(720,309)
Total liabilities	19,635,277	20,486,192	(850,915)
<b>Net Assets</b>			
Total capital assets			
net of related debt	5,473,858	4,990,567	483,291
Restricted	664,615	874,863	(210,248)
Unrestricted	283,521	1,106,201	(822,680)
Total net assets	\$ 6,421,994	\$ 6,971,631	\$ (549,637)

Unrestricted net assets are similar but not identical to fund balance. Reserves for grants, deferred gifts and debt service within the fund balance are treated as restricted assets since they are not available for general operations. A reconciliation of the difference between increased net assets and an increase in fund balance is on page 4-7.

**Bullock Creek School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008**

The net assets for the District decreased by \$549,637 during the 2007-2008 year. The *Statement of Net Assets from Operating Results* (below) shows the details of this change.

The *Statement of Net Assets from Operating Results* (below) shows the change from another perspective. As shown in the *Summary of Net Assets*, the majority of the change in total assets is due to a decrease in current assets. The District's cash balances were lower at June 30, 2008 as compared to June 30, 2007. Further, the majority of the change in total liabilities is due to a decrease in noncurrent liabilities. This change is primarily attributable to payments made on long term bonds.

**Statement of Net Assets from Operating Results**

	Governmental Activities		
	Year ended 2008	Year ended 2007	Difference
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$ 424,724	\$ 440,519	\$ (15,795)
Operating Grants/Contributions	2,661,817	2,073,482	588,335
Capital Grants/Contributions	429,030	927,894	(498,864)
General Revenues			
Property Taxes	2,490,879	2,345,147	145,732
State Foundation Allowance	13,049,328	12,864,227	185,101
Other	306,496	223,637	82,859
<b>Total Revenues</b>	<u>19,362,274</u>	<u>18,874,906</u>	<u>487,368</u>
<b>Expenses</b>			
Instruction	11,315,915	10,892,659	423,256
Support Services	6,806,031	6,590,386	215,645
Food Services	791,196	573,308	217,888
Athletics	283,825	294,175	(10,350)
Community Services	32,212	20,547	11,665
Other Transactions	682,731	756,244	(73,513)
<b>Total Expenses</b>	<u>19,911,910</u>	<u>19,127,319</u>	<u>784,591</u>
<b>Change in Net Assets</b>	<u>\$ (549,636)</u>	<u>\$ (252,413)</u>	<u>\$ (297,223)</u>

Approximately 84% of the District's revenues are received from State sources. The Net State Foundation Grant is based on three variables:

1. The State of Michigan State Aid Act per student foundation allowance.
2. Student enrollment calculated by blending 75 percent of the current year's fall count and 25 percent of the prior year's winter count.
3. The amount raised by the District's non-homestead property tax levy of 18 mills.

**Bullock Creek School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008**

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**The School District's Funds**

At June 30, 2008, the District's governmental funds reported a combined fund balance of \$1,350,135, which is an decrease of \$424,557 from last year. The primary reasons for the increase are:

- In the General Fund, our principal operating fund, the fund balance decreased by \$317,808. The decrease is less than the budgeted decrease in fund balance. This is the result of underspending the final budget in nearly every functional area. This underspending is evenly distributed and reflects the care and oversight shown by employees across the District. The reserves and designations of fund balance are identified on page 4-3. By law, the portion of the fund balance reserved for other purposes is unavailable for school operations.
- In the Capital Projects Funds, the fund balance increased by \$7,582. This slight increase is primarily the result of monies transferred from the General Fund to support small summer remodeling projects. These projects were not completed by June 30, 2008. Therefore, the dollars were not completely expended at June 30, 2008. Fund balances in the Capital Projects Fund may not be used for school operations.
- In the Special Revenue Funds, the overall fund balance decreased by \$105,025. The fund balance in the Food Service Fund decreased by \$104,778. This was due to several kitchen remodeling projects that were completed during the year. Further, the fund balance in the Athletic Fund decreased by \$247.
- The Debt Service Funds showed a decrease of \$9,305 in combined fund balances. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond-issue related debt service. The fund balance of the Debt Service is reserved since it can only be used for future debt service obligations.

**Per Student Foundation Allowance**

Annually, the State of Michigan establishes the per student foundation allowance. The Bullock Creek School District' foundation allowance was \$7,204 per student. This represents an increase of 1.7% as compared to the 2006-2007 allocation of \$7,085 per student.

**Student Enrollment**

The District's student enrollment for the fall count of 2007-2008 was 2,019 students. This is an increase of 32 students from the previous September. The increase was higher than projected primarily due to extensive efforts made in marketing the District as a school of choice option. The District offers some unique programs that other area schools do not offer such as all-day Kindergarten and a Young Fives program. The following summarizes fall student enrollments in the past five years:

**Enrollment History**

Year	Student FTE	FTE Change from Prior Year
2007-2008	2,019	32
2006-2007	1,987	(5)
2005-2006	1,992	(31)
2004-2005	2,023	(50)
2003-2004	2,073	(112)

Preliminary student enrollment projections for 2008-2009 indicate that enrollments are likely to increase slightly from 2007-2008. The District uses Middle Cities Education Association for assistance in projecting enrollment for budget purposes. County birthrates, current enrollment, and community factors all play a part in this forecast.

**Bullock Creek School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008**

**Property Taxes Levied for General Operations**

The District levies 18.0 mills of property taxes for operations (General Fund) on Non-Homestead properties. Under Michigan law, the tax levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at lesser of the rate of the prior year's Consumer Price Index increase or 5 percent. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, theoretically 50 percent of the market value. The following summarizes the local tax revenues as a percent of all general fund revenues for the past five years:

**Local Property Tax History**

<u>Year</u>	<u>Local Property Tax Revenue</u>	<u>% of General Fund Revenue</u>
2007-2008	\$ 881,871	5.1%
2006-2007	814,708	4.7%
2005-2006	815,403	4.9%
2004-2005	755,572	4.8%
2003-2004	748,346	4.6%

**Capital Assets**

At June 30, 2008, the District had \$19,034,751 invested in capital assets including land, buildings, furniture, and equipment.

<b>Assets</b>	<b>Governmental Activities</b>	
	<b>2008</b>	<b>2007</b>
Land and construction in progress	\$ 212,611	\$ 212,611
Buildings and additions	25,539,362	25,496,514
Equipment and furniture	680,852	500,534
Buses and other vehicles	1,489,001	1,730,120
Subtotal	27,921,826	27,939,779
Less accumulated depreciation	(8,887,075)	(8,486,212)
<b>Total</b>	<b>\$ 19,034,751</b>	<b>\$ 19,453,567</b>

**Debt Administration**

At June 30, 2008, the District had \$13,285,000 in general obligation bonds outstanding for capital projects and \$240,694 outstanding for Durant Resolution bonds. During the 2007-2008 fiscal year, the District levied a debt millage of 7.0 mills that generated revenue of \$1,609,008 and was based on the taxable value of all properties within the District. The revenue raised by the debt levy is used to pay maturities on the general obligation bonds, whereas the Durant Resolution bonds are self-liquidating bonds funded completely by the State of Michigan.

The School District's general obligation bond rating continues to be equivalent to the State's credit rating.

For more detailed information on debt, please see the accompanying Notes to the Financial Statements (page 4-16).

**Bullock Creek School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008**

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**Original versus Revised Budget**

The Uniform Budget Act of the State of Michigan requires that a local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. The budget for 2007-2008 was approved on June 25, 2007 and amended in January and June of 2008.

**General Fund Revenues**

Total Revenues Revised Budget	\$ 17,352,865
Total Revenues Original Budget	<u>16,570,569</u>
Change	<u><u>\$ 782,296</u></u>

The District's actual general fund revenues were more than the revised budget by \$12,616, a variance of less than 0.1%.

Some of the significant revenue budget adjustments for the year include:

- Student enrollment was higher than the original budget by 18 students and the per pupil funding was increased by \$119 per student. Therefore, this led to an increase in State Aid revenues of \$356,000 and a related \$56,000 increase in property tax revenue.
- An increase in donations as a result of the early receipt of \$33,000 of the \$1,400,000 technology and curriculum grant awarded in 2005/2006 from the local foundations.
- Changes in other state and federal grants: \$65,000 increase in Title I revenues, \$77,000 increase in At Risk revenues, \$59,000 increase in Title IIA revenues, \$56,000 increase in Michigan School Readiness funding and \$49,000 increase in Adult Education federal and state revenues. A similar effect was had on the expenditure side of the budget.
- Because of declines in interest rates over the year, interest revenue was decreased by \$53,000.

**General Fund Expenditures**

Total Expenditures Revised Budget	\$ 17,661,298
Total Expenditures Original Budget	<u>17,406,573</u>
Change	<u><u>\$ 254,725</u></u>

The District's actual general fund expenditures were more than the revised budget by \$5,308, a variance of less than 0.1%.

Some of the significant expenditure budget adjustments for the year include:

- Several adjustments were made to employee salary expenditure accounts, including: teacher salaries were increased by 1.5% or \$85,000 based on a contract settlement reached in September 2007; three half-time teaching positions were added for a cost of \$59,000.
- Several small adjustments were made to employee benefit expenditure accounts.
- An increase in special education tuition expenses of \$48,000.
- A decrease in attorney fees of \$24,000.
- A decrease in heating and electric budgets of \$27,000 over what was anticipated.
- Due to significant increases in diesel fuel costs, the district incurred \$46,000 in additional costs.
- One special education bus was purchased one year early, resulting in an added cost of \$82,000.
- \$50,000 was transferred to the Capital Projects Fund to help support several small summer remodeling projects.
- Due to lower interest rates, the District incurred less borrowing cost than originally anticipated on the State Aid Note. This resulted in a decrease of \$40,000.
- Several adjustments were made to grant related expenditure accounts due to increased funding as noted in the revenue adjustments.

**Bullock Creek School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008**

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**Economic Factors and Next Year's Budget and Rates**

Since most of the District's revenue is derived from the per pupil foundation allowance, student enrollment as reported in the *blended count* is one of the key factors in forecasting revenue. Once the final student count is known in late September, State law requires the District to amend the budget if actual revenues will vary significantly from those originally appropriated. Actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. "Pro rata" reductions were enacted in the past two of six years. Similar reductions remain a possibility for 2008-2009 if state revenues fall short of the projections on which the State Aid Act was based.

**Requests for Information**

This financial report is designed to give our citizens, taxpayers, parents, students, investors and creditors a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning this report or requests for additional information should be addressed to: Director of Business Services, Bullock Creek School District, 1420 South Badour Road, Midland, MI 48640; telephone number 989-631-9022.

## BASIC FINANCIAL STATEMENTS

**Bullock Creek School District**  
**Statement of Net Assets**  
**June 30, 2008**

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash	\$ 3,646,427
Accounts receivable	110,671
Due from other governmental units	2,916,451
Interest receivable	683
Inventory	182,638
Prepaid items	42,334
Other assets	123,316
Capital assets not being depreciated	212,611
Capital assets - net of accumulated depreciation	<u>18,822,140</u>
Total assets	<u>26,057,271</u>
<b>Liabilities</b>	
Accounts payable	667,237
State aid anticipation note payable	3,200,000
Payroll deductions and withholdings	416,537
Accrued expenditures	300,539
Accrued salaries payable	857,307
Deferred revenue	210,272
Noncurrent liabilities	
Due within one year	994,637
Due in more than one year	<u>12,988,748</u>
Total liabilities	<u>19,635,277</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	5,473,858
Restricted for:	
Debt service	284,618
Capital projects	156,035
Technology and curriculum	223,000
Math science	962
Unrestricted	<u>283,521</u>
Total net assets	<u>\$ 6,421,994</u>

See Accompanying Notes to Financial Statements



**Bullock Creek School District**  
**Statement of Activities**  
**For the Year Ended June 30, 2008**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Functions/Programs</b>					
Governmental activities					
Instruction	\$ 11,315,915	\$ 9,850	\$ 1,860,715	\$ 414,030	\$ (9,031,320)
Supporting services	6,806,031	77,370	438,638	15,000	(6,275,023)
Food services	791,196	262,587	362,464	-	(166,145)
Athletic activities	283,825	74,917	-	-	(208,908)
Community services	32,212	-	-	-	(32,212)
Interest on long-term debt	682,731	-	-	-	(682,731)
Total governmental activities	<u>\$ 19,911,910</u>	<u>\$ 424,724</u>	<u>\$ 2,661,817</u>	<u>\$ 429,030</u>	<u>(16,396,339)</u>
General revenues					
Property taxes, levied for general purposes					881,871
Property taxes, levied for debt service					1,609,008
State aid - unrestricted					13,049,328
Interest and investment earnings					135,596
Gain on sale of capital assets					8,652
Other					162,248
Total general revenues					<u>15,846,703</u>
Change in net assets					(549,636)
Net assets - beginning					<u>6,971,630</u>
Net assets - ending					<u>\$ 6,421,994</u>

See Accompanying Notes to Financial Statements

**Bullock Creek School District**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2008**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash	\$ 2,965,471	\$ 680,956	\$ 3,646,427
Accounts receivable	49,439	61,232	110,671
Due from other funds	1,389	4,227	5,616
Due from other governmental units	2,916,451	-	2,916,451
Interest receivable	683	-	683
Inventory	182,638	-	182,638
Prepaid items	42,334	-	42,334
Total assets	<u>\$ 6,158,405</u>	<u>\$ 746,415</u>	<u>\$ 6,904,820</u>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities</b>			
Accounts payable	\$ 609,894	\$ 57,343	\$ 667,237
State aid anticipation note payable	3,200,000	-	3,200,000
Due to other funds	4,227	1,389	5,616
Payroll deductions and withholdings	416,537	-	416,537
Accrued expenditures	148,277	-	148,277
Accrued salaries payable	857,307	-	857,307
Deferred revenue	259,711	-	259,711
Total liabilities	<u>5,495,953</u>	<u>58,732</u>	<u>5,554,685</u>
<b>Fund Balance</b>			
Reserved for inventory	182,638	-	182,638
Reserved for prepaid items	21,493	-	21,493
Reserved for debt service	-	284,618	284,618
Reserved for capital projects	-	156,035	156,035
Reserved for insurance	39,600	-	39,600
Reserved for technology and curriculum	223,000	-	223,000
Reserved for math science	962	-	962
Reserved for vocational education	1,722	-	1,722
Other undesignated	193,037	247,030	440,067
Total fund balance	<u>662,452</u>	<u>687,683</u>	<u>1,350,135</u>
Total liabilities and fund balance	<u>\$ 6,158,405</u>	<u>\$ 746,415</u>	<u>\$ 6,904,820</u>

See Accompanying Notes to Financial Statements

**Bullock Creek School District**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets**  
**June 30, 2008**

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<b>Total fund balances for governmental funds</b>	\$ 1,350,135
Total net assets for governmental activities in the statement of net assets is different because:	
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Grants	49,439
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets not being depreciated	212,611
Capital assets - net of accumulated depreciation	18,822,140
Other long-term assets are not deferred in the governmental funds.	123,316
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(112,662)
Incurred but not reported benefit claims	(39,600)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Compensated absences	(299,176)
Bonds payable	(12,829,072)
School bond loan payable	(593,515)
Installment loan payable	(55,728)
Capital lease payable	<u>(205,894)</u>
<b>Net assets of governmental activities</b>	<b><u>\$ 6,421,994</u></b>

**Bullock Creek School District**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2008**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Local sources	\$ 1,553,270	\$ 2,048,359	\$ 3,601,629
State sources	14,668,875	33,365	14,702,240
Federal sources	790,247	329,099	1,119,346
Interdistrict sources	353,089	-	353,089
	<u>17,365,481</u>	<u>2,410,823</u>	<u>19,776,304</u>
Total revenues			
<b>Expenditures</b>			
Current			
Education			
Instruction	10,790,939	-	10,790,939
Supporting services	6,300,490	-	6,300,490
Food services	-	753,309	753,309
Athletic activities	-	283,825	283,825
Community services	32,212	-	32,212
Capital outlay	529,142	131,223	660,365
Debt service			
Principal	11,772	1,070,000	1,081,772
Interest and other expenditures	2,051	591,397	593,448
	<u>17,666,606</u>	<u>2,829,754</u>	<u>20,496,360</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>(301,125)</u>	<u>(418,931)</u>	<u>(720,056)</u>

**Bullock Creek School District**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2008**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Other Financing Sources (Uses)</b>			
Proceeds from notes and loans	-	67,500	67,500
Capital leases	228,000	-	228,000
Transfers in	39,000	283,683	322,683
Transfers out	<u>(283,683)</u>	<u>(39,000)</u>	<u>(322,683)</u>
Total other financing sources (uses)	<u>(16,683)</u>	<u>312,183</u>	<u>295,500</u>
Net change in fund balance	(317,808)	(106,748)	(424,556)
Fund balance - beginning	<u>980,260</u>	<u>794,431</u>	<u>1,774,691</u>
Fund balance - ending	<u>\$ 662,452</u>	<u>\$ 687,683</u>	<u>\$ 1,350,135</u>

See Accompanying Notes to Financial Statements

**Bullock Creek School District**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2008**

<b>Net change in fund balances - Total governmental funds</b>	<b>\$ (424,556)</b>
Total change in net assets reported for governmental activities in the statement of activities is different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Operating grants	(414,030)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(733,986)
Capital outlay	356,387
Sale of capital assets (net book value)	(41,217)
Expenses are recorded when incurred in the statement of activities.	
Interest	(6,971)
Interest on School Bond Loan fund debt	(35,618)
Benefit claims	2,400
Compensated absences	(5,757)
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Debt issued	(67,500)
Repayments of long-term debt	811,772
Decrease in School Bond Loan Fund debt	270,000
Amortization of deferred amount on refunding	(46,694)
Amortization bond issuance costs	(7,972)
Capital lease	(228,000)
Repayment of capital lease	22,106
<b>Change in net assets of governmental activities</b>	<b>\$ (549,636)</b>

**Bullock Creek School District**  
**Fiduciary Funds**  
**Statement of Assets and Liabilities**  
**June 30, 2008**

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	<u>Agency Funds</u>
<b>Assets</b>	
Cash	\$ <u>143,079</u>
<b>Liabilities</b>	
Due to agency fund activities	\$ <u>143,079</u>

See Accompanying Notes to Financial Statements

**Bullock Creek School District**  
**Notes to Financial Statements**  
**June 30, 2008**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Bullock Creek School District (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

**Reporting Entity**

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

**District-wide Financial Statements**

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business-type. All of the School District's activities are classified as governmental activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted

net assets, and (3) unrestricted net assets. The School District first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements, the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net assets resulting from current year activities.

**Fund Financial Statements**

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the



**Bullock Creek School District**  
**Notes to Financial Statements**  
**June 30, 2008**

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School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

*General Fund* – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

Additionally, the School District reports the following fund types:

*Special Revenue Funds* – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include Food Service and Athletic Funds. Operating deficits generated by these activities are generally transferred from the General Fund.

*Debt Service Funds* – Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

*Capital Projects Funds* – Capital Projects Funds are used to record revenue and disbursements of invoices specifically

designated for acquiring new school sites, buildings, equipment, and for remodeling and repairs.

*Fiduciary Funds* – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

**Assets, Liabilities and Equity**

*Receivables and Payables* – Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2008, the rates are as follows per \$1,000 of assessed value.

General Fund	
Homestead	0.00000
Nonhomestead	18.00000
Debt Service Funds	
Homestead	7.00000
Nonhomestead	7.00000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries. All of the of the School District's tax roll lies within Midland County.

# Bullock Creek School District

## Notes to Financial Statements

### June 30, 2008

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The property tax levy runs from July 1 to June 30 in the City of Midland and January 1 to December 31 in the County. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the Midland County of and remitted to the School District by May 15.

**Inventories and Prepaid Items** – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

**Capital Assets** – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Equipment and furniture	5-10 years
Buses and other vehicles	5-10 years

**Compensated Absences** – Sick days are earned by most employees at the rate of fifteen days per school year. Unlimited unused sick days may be accumulated by an employee. Retiring employees who meet certain criteria are paid for accumulated sick days at a rate determined by their job category. There is no contractual provision for payment of unused vacation days. They may be used for vacation only.

The liability for compensated absences reported in the district-wide financial statements consists of unpaid, accumulated sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments, and other employees who are expected to become eligible in the future to receive such payments upon retirement, are included. The amount reported is salary related and includes no fringe benefits.

**Long-term Obligations** – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### **Comparative Data**

Comparative data is not included in the School District's financial statements.

### **Eliminations and Reclassifications**

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

### **Upcoming Accounting and Reporting Change**

The Government Accounting Standards Board has issued Statement No. 45, *Accounting and Reporting by Employers for Postemployment*

**Bullock Creek School District**  
**Notes to Financial Statements**  
**June 30, 2008**

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*Benefits other than Pensions.* The new pronouncement provides guidance for school districts in recognizing the cost of retiree health care. The new rules will cause district-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

The Government Accounting Standards Board has issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement addresses how to account for pollution remediation activities of the effects of existing pollution; it does not include prevention or control activities or remediation required upon the retirement of an asset. In general, the new rules will cause district-wide financial statements to recognize a liability on the current value of expected costs as estimated using the expected cash flows method. This statement is effective for year ending June 30, 2009.

The Government Accounting Standards Board has issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period. In general, the new rules will cause district-wide financial statements to include intangible assets as capital assets. This statement is effective for the year ending June 30, 2010.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND  
ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby cancel all

encumbrances. These appropriations are reestablished at the beginning of the year.

The appropriation level adopted by the Board is the level of control authorized under the Uniform Budgeting and Accounting Act. The Act requires expenditures to be budgeted on a functional basis. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the Act if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations which were amended.

**Bullock Creek School District**  
**Notes to Financial Statements**  
**June 30, 2008**

**Excess of Expenditures over Appropriations**

During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Adult and continuing education	\$ 644,451	\$ 654,430	\$ 9,979
Other	36,975	37,510	535
Capital outlay	314,397	529,142	214,745

Capital outlay expenditures include the value of leased copy equipment in the amount of \$228,000. Revenue was also recognized for this amount. GASB 34 requires capitalized leases to be recognized as both revenue and expenditure during the year the leased equipment is delivered. It does not have an effect on cash flow or the change in fund balance.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	\$ 3,646,427	\$ 143,079	\$ 3,789,506

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 3,788,106
Petty cash and cash on hand	1,400
Total	<u>\$ 3,789,506</u>

*Interest rate risk* – The District will minimize this risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; and investing operating funds primarily in short-term securities, liquid asset funds, money market mutual funds, or similar investment pools limiting the average maturity in accordance with the District's cash requirements.

*Credit risk* – State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

*Concentration of credit risk* – The District will minimize concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any type of security or issuer will be minimized.

*Custodial credit risk – deposits* – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year end, \$3,922,062 of the District's bank balance of \$4,022,062 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Bullock Creek School District**  
**Notes to Financial Statements**  
**June 30, 2008**

**NOTE 4 - CAPITAL ASSETS**

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	212,611	-	-	212,611
Capital assets being depreciated				
Buildings and additions	25,496,514	42,848	-	25,539,362
Equipment and furniture	500,534	230,287	(49,969)	680,852
Buses and other vehicles	1,730,120	83,252	(324,371)	1,489,001
Total capital assets being depreciated	27,727,168	356,387	(374,340)	27,709,215
Less accumulated depreciation for				
Buildings and additions	(7,068,106)	(579,382)	-	(7,647,488)
Equipment and furniture	(100,906)	(43,438)	8,752	(135,592)
Buses and other vehicles	(1,317,200)	(111,166)	324,371	(1,103,995)
Total accumulated depreciation	(8,486,212)	(733,986)	333,123	(8,887,075)
Net capital assets being depreciated	19,240,956	(377,599)	(41,217)	18,822,140
Net capital assets	\$ 19,453,567	\$ (377,599)	\$ (41,217)	\$ 19,034,751

Depreciation expense was charged to activities of the School District as follows:

<b>Governmental activities</b>	
Instruction	\$ 476,225
Support services	255,090
Food services	2,671
Total governmental activities	<u>\$ 733,986</u>

**NOTE 5 - INTERFUND RECEIVABLE AND PAYABLE AND TRANSFERS**

Individual interfund receivable and payable balances at year end were:

Due From Fund	Due to Fund	Amount
Food Service Fund	General Fund	\$ 1,389
General Fund	Food Service Fund	4,227
		<u>\$ 5,616</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers consist of the following:

	Transfers Out
	General Fund
Transfers in	
Other governmental funds	<u>\$ 322,683</u>

These transfers were made to cover the costs of School District programs that were in excess of revenues generated from those activities.

**Bullock Creek School District**  
**Notes to Financial Statements**  
**June 30, 2008**

**NOTE 6 - DEFERRED REVENUE**

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Foundation grants	\$ 49,439	\$ -
Grant and categorical aid payments received prior to meeting all eligibility requirements	<u>-</u>	<u>210,272</u>
Total	<u>\$ 49,439</u>	<u>\$ 210,272</u>

**NOTE 7 - LEASES**

**Operating Leases**

The School District leases copy machines, which includes machine usage, supplies, and maintenance, under a non-cancelable operating lease agreement. Lease expenses for the year ended June 30, 2008 amounted to \$78,705. The future minimum lease payments for these leases are as follows:

Year ending June 30,	
2009	<u>\$ 66,623</u>

**Capital Leases**

The School District has a capital lease for copy machines. The future minimum lease payments are as follows:

<u>Year ending June 30,</u>	
2009	\$ 70,800
2010	70,800
2011	70,800
2012	70,800
2013	<u>17,700</u>
Total minimum lease payments	300,900
Less amount representing interest	<u>95,006</u>
Present value of minimum lease payments	<u>\$ 205,894</u>

The assets acquired through capital leases are as follows:

Asset	
Equipment and furniture	\$ 102,550
Less accumulated depreciation	<u>17,092</u>
Total	<u>\$ 85,458</u>

**NOTE 8 - STATE AID ANTICIPATION NOTE**

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30<sup>th</sup>.

**Bullock Creek School District**  
**Notes to Financial Statements**  
**June 30, 2008**

Short-term debt activity for the year was as follows:

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	<u>\$ 3,500,000</u>	<u>\$ 3,200,000</u>	<u>\$ 3,500,000</u>	<u>\$ 3,200,000</u>

**NOTE 9 - LONG-TERM DEBT**

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	\$ 14,085,000	\$ -	\$ (800,000)	13,285,000	\$ 805,000
Other bonds	240,694	-	-	240,694	138,628
School Bond Loan	827,897	35,618	(270,000)	593,515	-
Capital lease	-	228,000	(22,106)	205,894	34,843
Installment Loan	-	67,500	(11,772)	55,728	16,166
Compensated absences	293,419	5,757	-	299,176	-
Deferred amount on refunding	(743,316)	-	46,694	(696,622)	-
Deferred issuance costs	<u>(131,288)</u>	<u>-</u>	<u>7,972</u>	<u>(123,316)</u>	<u>-</u>
Total	<u>\$ 14,572,406</u>	<u>\$ 336,875</u>	<u>\$ (1,049,212)</u>	<u>\$ 13,860,069</u>	<u>\$ 994,637</u>

General obligation bonds payable at year end, consists of the following:

\$6,200,000 refunding bond due in annual installments of \$55,000 to \$610,000 through May 1, 2022, interest at 2.25% to 4.20%.	\$ 5,985,000
\$2,990,000 serial bond due in annual installments of \$155,000 to \$240,000 through May 1, 2019, interest at 4.10% to 4.55%.	2,215,000
\$3,850,000 of originally issued bonds totaling \$14,500,000 due in annual installments of \$550,000 through May 1, 2012, interest at 4.75% to 5.875%.	2,200,000
\$2,640,000 refunding bond due in annual installments of \$15,000 to \$610,000 through May 1, 2026, interest at 3.00% to 4.25%.	2,605,000
\$330,000 energy conservation bond due in annual installments of \$30,000 to \$40,000 through May 1, 2016, interest at 3.95% to 4.40%.	<u>280,000</u>
Total general obligation bonded debt	<u>\$ 13,285,000</u>

Future principal and interest requirements for bonded debt are as follows:

	Principal	Interest	Total
<b>Year Ending June 30,</b>			
2009	\$ 805,000	\$ 554,819	\$ 1,359,819
2010	815,000	519,466	1,334,466
2011	830,000	483,159	1,313,159
2012	840,000	432,479	1,272,479
2013	850,000	404,056	1,254,056
2014-2018	4,250,000	1,509,615	5,759,615
2019-2023	3,145,000	739,523	3,884,523
2024-2026	<u>1,750,000</u>	<u>144,565</u>	<u>1,894,565</u>
Total	<u>\$ 13,285,000</u>	<u>\$ 4,787,682</u>	<u>\$ 18,072,682</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$284,618 to pay this debt. Future debt and interest will be payable from future tax levies.

**Bullock Creek School District**  
**Notes to Financial Statements**  
**June 30, 2008**

Other bonds consist of the following:

\$407,635 Durant Refunding serial bonds due in annual installments through May 15, 2013; interest 4.76% due annually. \$ 240,694

These bond obligations issued by PA 142 are payable solely from and are secured solely by an assignment by each School District of certain categorical State School Aid payments. The State Legislature has no obligation to make such appropriations. In the event the Legislature fails to appropriate funds, the School District is under no obligation for repayment of the debt obligation issued by PA 142.

Future principal and interest requirements are as follows:

	Principal	Interest	Total
<b>Year Ending June 30,</b>			
2009	\$ 138,628	\$ 53,704	\$ 192,332
2010	23,765	4,860	28,625
2011	24,897	3,728	28,625
2012	26,081	2,543	28,624
2013	27,323	1,301	28,624
Total	<u>\$ 240,694</u>	<u>\$ 66,136</u>	<u>\$ 306,830</u>

Installment purchase agreement payable at year end consist of the following:

\$67,500 installment purchase agreement due in annual installments through September 13, 2011; interest at 4.39%. \$ 55,728

Future principal and interest requirements for installment purchase agreement are as follows:

	Principal	Interest	Total
<b>Year Ending June 30,</b>			
2009	\$ 16,166	\$ 2,265	\$ 18,431
2010	17,103	1,328	18,431
2011	17,869	562	18,431
2012	4,590	33	4,623
Total	<u>\$ 55,728</u>	<u>\$ 4,188</u>	<u>\$ 59,916</u>

#### State School Bond Loan

The State School Bond Loan consists of a borrowing agreement with the State of Michigan for the purpose of meeting the financing of current debt maturities on the School District's 2000 bond issue. During 2000, the School District issued \$14.5 million in bonds to renovate School District facilities. The bond election, as passed by the voters, specified that the School District debt millage would not exceed the pre-bond vote millage of 7.0 mills, but instead the election permitted the School District to extend this levy through the year 2026. Since the monies generated by the 7.0 mills are presently not sufficient to cover the entire debt service requirements of the School District, it has been necessary for the School District to borrow a total of \$593,515 to meet debt service requirements. Management of the School District anticipates that as the other bonds mature, the revenues provided by the debt millage will be sufficient to satisfy the future debt service requirements of the 2000 bonds and all necessary borrowing from the State School Bond Loan Fund. During the year, the School District repaid \$270,000, and borrowed an additional \$35,618 and had an outstanding balance at year of \$593,515, from the State School Bond Loan Fund. The School District has agreed to repay the loan amount with interest at rates and at times to be determined by the State Treasurer.



**Bullock Creek School District**  
**Notes to Financial Statements**  
**June 30, 2008**

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**Compensated Absences**

Accrued compensated absences at year end, consists of \$299,176 in accrued sick time benefits. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year.

**Defeased Debt**

In prior years, the School District has defeased various bonds issued by creating separate irrevocable trust funds. New debt has been issued and the net proceeds of each refunding were placed in separate special escrow accounts and invested in securities of the U.S. Government and its agencies. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded bonds are considered to be defeased. Accordingly, the trust account assets and liability for the defeased bonds are not included in the School District's financial statements.

The final payment date is May 1, 2022 and May 1, 2026. As of year end, the amount of defeased debt outstanding but removed from the School District's financial statements is as follows:

2000 Issue refunded in 2004	\$ 5,555,000
2000 Issue refunded in 2005	<u>2,345,000</u>
Total	<u>\$ 7,900,000</u>

**NOTE 10 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The School District has purchased commercial insurance for general liability, property and casualty claims. Settled claims relating to the

commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District for the year. The School District had \$2,955 for unemployment compensation expense for the year ended June 30, 2008. No provision has been made for possible future claims.

The District carries commercial insurance for a portion of medical, dental, vision and pharmacy benefits paid on behalf of its employees. The District is also self insured for a portion of these benefits. Self insurance payments made to the plan administrator are based on the estimated claims expected to be incurred.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims. The District maintains an excess coverage policy for individual claims that exceed the plan limits.

**Bullock Creek School District**  
**Notes to Financial Statements**  
**June 30, 2008**

Change in estimated liabilities for claims for health benefits for the year is as follows:

Estimated liability at the beginning of the year	\$ 24,800
Estimated claims incurred including changes in estimates	127,000
Claim payments	<u>(122,500)</u>
Estimated liability end of year	<u>\$ 29,300</u>

The School District is self-insured for dental insurance. The School District has contracted with an independent administrator to process the dental claims and perform other administrative duties. According to the provisions of this program, the School District pays 70-100% of dental claims, up to \$600 annually, to each covered employee and the remaining balance is paid by the employee. The School District evaluates the liability related to the dental claims at the end of each fiscal year. The liability is calculated, based upon claims already incurred and reported and an estimate of incurred but not reported claims, as provided by the administrator.

The year end claims liability and activity for the year is as follows:

Estimated liability at the beginning of the year	\$ 17,200
Estimated claims incurred including changes in estimates	113,100
Claim payments	<u>(120,000)</u>
Estimated liability end of year	<u>\$ 10,300</u>

**NOTE 11 - DEFINED BENEFIT PENSION PLAN**

**Plan Description**

The School District has a defined benefit pension plan covering substantially all employees. The plan is operated by the State of Michigan's Public School Employees Retirement System (MPSERS), which is a cost-sharing public employee retirement system (PERS).

The pension plan provides retirement, survivor and disability benefits to plan members and their beneficiaries.

MPSERS operates within the Michigan Department of Management and Budget, Office of Retirement Systems who has the authority to establish and amend benefit provisions. The Michigan Department of Management and Budget issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. The report provides information for the plan as a whole and information helpful for understanding the scale of the information presented relative to the School. That report may be obtained by writing Office of Retirement Services, P.O. Box 30171, Lansing, Michigan 48909-7671 or calling 800-381-5111.

**Funding Policy**

The School is required by State statute to contribute to MPSERS an actuarially determined percentage of payroll for all participating employees. Additionally, employees participating in the Member Investment Plan contributed 3% to 4.3% of their covered wages through payroll deduction. In addition to retirement benefits, a portion of the total MPSERS contribution is allocated to cover health, dental and vision benefits. The following table discloses pertinent information relative to MPSERS funding for the three-year period beginning July 1, 2005 through June 30, 2008.

	2008	2007	2006
Funding percentage range	16.72-17.74%	16.34-17.74%	14.87-16.34%
Total payroll	9,474,008	9,250,658	9,058,650
Total covered payroll	9,370,804	9,141,683	8,932,931
School contributions	1,587,877	1,592,013	1,428,629
Employee MIP contributions	327,917	323,020	307,426
Portion of school contribution covering health, dental and vision benefits	39%	37%	40%

**Bullock Creek School District**  
**Notes to Financial Statements**  
**June 30, 2008**

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**Trend Information**

Ten-year historical trend information is presented in the September 30, 2007, PERS Comprehensive Annual Financial Report. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. The total benefit obligations and net assets available for benefits as of September 30, 2006, the latest date for which information is available, approximates \$ 49.1 billion and \$43.0 billion, respectively. The School's share of the total current actuarially determined employer contribution requirement under MPSERS was less than 1% for the year ended September 30, 2007.

**Post Employment Benefits**

In addition to the pension benefits described above, the School District provides post-retirement health care, dental, and vision benefits for retirees and beneficiaries through Michigan Public School Employees Retirement System (MPSERS).

Expenditures for these benefits are recognized on a cash disbursement basis. During the year ended September 30, 2007, statewide expenditures of \$654 million were recognized for post-retirement health care, dental and vision. This represented approximately 18% of the total expenditures of the Michigan Public School Employees Retirement System.

**NOTE 12 - CONTINGENT LIABILITIES**

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2008.

**NOTE 13 - SUBSEQUENT EVENT**

Subsequent to June 30, 2008, the School District has paid the balance of the \$3,200,000 and accrued interest on the short-term state aid anticipation note borrowed on August 20, 2007 and has subsequently borrowed \$3,500,000 in short-term state aid anticipation notes through the Michigan Municipal Bond Authority. Proceeds from the borrowing will be distributed to the School District on August 20, 2008.

Subsequent to June 30, 2008, the School District entered into an installment purchase agreement for \$149,890 at 3.49% to purchase two school buses. The installment purchase agreement will be paid in two installments in 2009 and 2010.

Subsequent to June 30, 2008, the School District sold the building trades house, which is classified as inventory as of June 30, 2008, for \$188,544.

## REQUIRED SUPPLEMENTAL INFORMATION

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**Bullock Creek School District**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 1,496,339	\$ 1,522,616	\$ 1,553,270	\$ 30,654
State sources	14,136,745	14,677,307	14,668,875	(8,432)
Federal sources	649,009	799,853	790,247	(9,606)
Interdistrict sources	288,476	353,089	353,089	-
Total revenues	16,570,569	17,352,865	17,365,481	12,616
<b>Expenditures</b>				
Instruction				
Basic programs	7,416,046	7,498,608	7,438,157	(60,451)
Added needs	2,574,578	2,725,123	2,698,352	(26,771)
Adult and continuing education	598,681	644,451	654,430	9,979
Supporting services				
Pupil	1,020,008	1,046,189	1,033,854	(12,335)
Instructional staff	1,231,783	1,134,402	1,105,244	(29,158)
General administration	335,760	309,564	292,749	(16,815)
School administration	1,044,054	1,056,939	1,039,991	(16,948)
Business	443,383	394,082	391,949	(2,133)
Operations and maintenance	1,378,820	1,412,600	1,391,118	(21,482)
Pupil transportation services	934,812	979,709	950,309	(29,400)
Central	57,808	61,074	57,766	(3,308)
Other	32,000	36,975	37,510	535
Community services	24,443	33,362	32,212	(1,150)
Capital outlay	314,397	314,397	529,142	214,745
Debt service				
Principal	-	11,772	11,772	-
Interest and fiscal charges	-	2,051	2,051	-
Total expenditures	17,406,573	17,661,298	17,666,606	5,308

**Bullock Creek School District**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>			<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Excess (deficiency) of revenues over expenditures	<u>(836,004)</u>	<u>(308,433)</u>	<u>(301,125)</u>	<u>7,308</u>
<b>Other Financing Uses</b>				
Capital leases	-	-	228,000	228,000
Transfers in	-	39,000	39,000	-
Transfers out	<u>(233,113)</u>	<u>(283,683)</u>	<u>(283,683)</u>	<u>-</u>
Total other financing sources uses	<u>(233,113)</u>	<u>(244,683)</u>	<u>(16,683)</u>	<u>228,000</u>
Net change in fund balance	(1,069,117)	(553,116)	(317,808)	(220,692)
Fund balance - beginning	<u>980,260</u>	<u>980,260</u>	<u>980,260</u>	<u>-</u>
Fund balance - ending	<u>\$ (88,857)</u>	<u>\$ 427,144</u>	<u>\$ 662,452</u>	<u>\$ (220,692)</u>

## OTHER SUPPLEMENTAL INFORMATION

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**Bullock Creek School District**  
**Other Supplemental Information**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2008**

	Special Revenue Funds		Debt Service Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	Food Service	Athletics	1998 Refunding	2000 Issue	2004 Refunding	2005 Refunding		
<b>Assets</b>								
Cash	\$ 112,012	\$ 92,678	\$ 52,487	\$ 60,581	\$ 114,125	\$ 57,425	\$ 191,648	\$ 680,956
Accounts receivable	61,232	-	-	-	-	-	-	61,232
Due from other funds	4,227	-	-	-	-	-	-	4,227
<b>Total assets</b>	<b>\$ 177,471</b>	<b>\$ 92,678</b>	<b>\$ 52,487</b>	<b>\$ 60,581</b>	<b>\$ 114,125</b>	<b>\$ 57,425</b>	<b>\$ 191,648</b>	<b>\$ 746,415</b>
<b>Liabilities and Fund Balance</b>								
<b>Liabilities</b>								
Accounts payable	\$ 21,730	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,613	\$ 57,343
Due to other funds	1,389	-	-	-	-	-	-	1,389
<b>Total liabilities</b>	<b>23,119</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,613</b>	<b>58,732</b>
<b>Fund Balance</b>								
Reserved for debt service	-	-	52,487	60,581	114,125	57,425	-	284,618
Reserved for capital projects	-	-	-	-	-	-	156,035	156,035
Other undesignated	154,352	92,678	-	-	-	-	-	247,030
<b>Total fund balance</b>	<b>154,352</b>	<b>92,678</b>	<b>52,487</b>	<b>60,581</b>	<b>114,125</b>	<b>57,425</b>	<b>156,035</b>	<b>687,683</b>
<b>Total liabilities and fund balance</b>	<b>\$ 177,471</b>	<b>\$ 92,678</b>	<b>\$ 52,487</b>	<b>\$ 60,581</b>	<b>\$ 114,125</b>	<b>\$ 57,425</b>	<b>\$ 191,648</b>	<b>\$ 746,415</b>



**Bullock Creek School District**  
**Other Supplemental Information**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2008**

	Special Revenue Funds		Debt Service Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	Food Service	Athletics	1998 Refunding	2000 Issue	2004 Refunding	2005 Refunding	Energy Conservation	
<b>Revenues</b>								
Local sources	\$ 317,547	\$ 95,078	\$ 308,743	\$ 823,322	\$ 334,894	\$ 147,470	\$ -	\$ 2,048,359
State sources	33,365	-	-	-	-	-	-	33,365
Federal sources	329,099	-	-	-	-	-	-	329,099
Total revenues	<u>680,011</u>	<u>95,078</u>	<u>308,743</u>	<u>823,322</u>	<u>334,894</u>	<u>147,470</u>	<u>-</u>	<u>2,410,823</u>
<b>Expenditures</b>								
Current								
Education								
Food services	753,309	-	-	-	-	-	-	753,309
Athletic activities	-	283,825	-	-	-	-	-	283,825
Capital outlay	-	-	-	-	-	-	-	131,223
Debt service								
Principal	-	-	206,000	692,000	110,000	37,000	25,000	1,070,000
Interest and other expenditures	-	-	103,593	143,420	223,307	108,414	12,663	591,397
Total expenditures	<u>753,309</u>	<u>283,825</u>	<u>309,593</u>	<u>835,420</u>	<u>333,307</u>	<u>145,414</u>	<u>37,663</u>	<u>2,829,754</u>
Excess (deficiency) of revenues over expenditures	<u>(73,298)</u>	<u>(188,747)</u>	<u>(850)</u>	<u>(12,098)</u>	<u>1,587</u>	<u>2,056</u>	<u>(37,663)</u>	<u>(418,931)</u>
<b>Other Financing Sources (Uses)</b>								
Proceeds from notes and loans	-	-	-	-	-	-	-	67,500
Transfers in	7,520	188,500	-	-	-	-	37,663	283,683
Transfers out	(39,000)	-	-	-	-	-	-	(39,000)
Total other financing sources (uses)	<u>(31,480)</u>	<u>188,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,663</u>	<u>312,183</u>
Net change in fund balance	(104,778)	(247)	(850)	(12,098)	1,587	2,056	-	(106,748)
Fund balance - beginning	<u>259,130</u>	<u>92,925</u>	<u>53,337</u>	<u>72,679</u>	<u>112,538</u>	<u>55,369</u>	<u>-</u>	<u>794,431</u>
Fund balance - ending	<u>\$ 154,352</u>	<u>\$ 92,678</u>	<u>\$ 52,487</u>	<u>\$ 60,581</u>	<u>\$ 114,125</u>	<u>\$ 57,425</u>	<u>\$ -</u>	<u>\$ 687,683</u>

**Bullock Creek School District**  
**Other Supplemental Information**  
**General Fund**  
**Comparative Balance Sheet**  
**June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b>Assets</b>		
Cash	\$ 2,965,471	\$ 3,756,724
Accounts receivable	49,439	463,469
Due from other funds	1,389	931
Due from other governmental units	2,916,451	2,815,920
Interest receivable	683	10,504
Inventory	182,638	-
Prepaid items	42,334	31,024
Total assets	<u>\$ 6,158,405</u>	<u>\$ 7,078,572</u>
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 609,894	\$ 573,234
State aid anticipation note payable	3,200,000	3,500,000
Due to other funds	4,227	5,578
Due to other governmental units	-	14,537
Payroll deductions and withholdings	416,537	326,727
Accrued expenditures	148,277	163,405
Accrued salaries payable	857,307	841,056
Deferred revenue	259,711	673,775
Total liabilities	<u>5,495,953</u>	<u>6,098,312</u>
<b>Fund Balance</b>		
Reserved for inventory	182,638	-
Reserved for prepaid items	21,493	23,801
Reserved for technology and curriculum	223,000	392,937
Reserved for diversity	-	520
Reserved for diagnostic reading lab	-	28,532
Reserved for math science	962	10,498
Reserved for insurance	39,600	42,000
Reserved for vocational education	1,722	-
Designated for textbook purchases	-	39,740
Other undesignated	193,037	442,232
Total fund balance	<u>662,452</u>	<u>980,260</u>
Total liabilities and fund balance	<u>\$ 6,158,405</u>	<u>\$ 7,078,572</u>

**Bullock Creek School District**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Revenues**  
**For the Years Ended June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b>Revenue from local sources</b>		
Property tax levy	\$ 881,871	\$ 814,708
Tuition	9,850	8,990
Earnings on investments	114,204	144,732
Community service activities	77,370	86,198
Other local revenues	<u>469,975</u>	<u>949,966</u>
Total revenues from local sources	<u>1,553,270</u>	<u>2,004,594</u>
<b>Revenues from state sources</b>		
Grants - unrestricted	13,049,328	12,864,227
Grants - restricted	<u>1,619,547</u>	<u>1,345,929</u>
Total revenues from state sources	<u>14,668,875</u>	<u>14,210,156</u>
<b>Revenues from federal sources</b>		
Grants	<u>790,247</u>	<u>793,016</u>
<b>Interdistrict sources</b>		
ISD collected millage	303,589	355,594
Other	<u>49,500</u>	<u>-</u>
Total interdistrict sources	<u>353,089</u>	<u>355,594</u>
<b>Other financing sources</b>		
Capital leases	228,000	-
Transfers in	<u>39,000</u>	<u>-</u>
Total revenue and other financing sources	<u>\$ 17,632,481</u>	<u>\$ 17,363,360</u>

**Bullock Creek School District**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures**  
**For the Years Ended June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b>Basic program - elementary</b>		
Salaries	\$ 2,151,061	\$ 2,085,263
Employee benefits	1,018,559	1,019,367
Purchased services	32,157	23,647
Supplies and materials	<u>137,753</u>	<u>52,068</u>
Total elementary	<u>3,339,530</u>	<u>3,180,345</u>
 <b>Basic program - middle school</b>		
Salaries	1,073,525	1,018,967
Employee benefits	561,237	546,200
Purchased services	17,424	22,905
Supplies and materials	47,064	23,160
Other	<u>500</u>	<u>500</u>
Total middle school	<u>1,699,750</u>	<u>1,611,732</u>
 <b>Basic program - high school</b>		
Salaries	1,405,657	1,405,087
Employee benefits	685,595	704,657
Purchased services	43,856	40,397
Supplies and materials	125,661	47,005
Other	<u>2,229</u>	<u>2,325</u>
Total high school	<u>2,262,998</u>	<u>2,199,471</u>
 <b>Basic program - pre-school</b>		
Purchased services	<u>119,950</u>	<u>64,200</u>

**Bullock Creek School District**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures**  
**For the Years Ended June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b>Basic program - summer school</b>		
Salaries	6,529	-
Employee benefits	1,608	-
Purchased services	<u>7,792</u>	<u>1,667</u>
Total summer school	<u>15,929</u>	<u>1,667</u>
Total basic programs	<u>7,438,157</u>	<u>-</u>
<b>Added needs - special education</b>		
Salaries	1,174,827	1,101,162
Employee benefits	507,338	520,450
Purchased services	449,981	402,225
Supplies and materials	<u>9,041</u>	<u>10,039</u>
Total special education	<u>2,141,187</u>	<u>2,033,876</u>
<b>Added needs - compensatory education</b>		
Salaries	262,999	270,484
Employee benefits	88,036	94,960
Purchased services	4,622	793
Supplies and materials	<u>60,308</u>	<u>3,253</u>
Total compensatory education	<u>415,965</u>	<u>369,490</u>
<b>Added needs - career and technical education</b>		
Salaries	72,316	68,644
Employee benefits	25,550	25,287
Purchased services	38,371	46,433
Supplies and materials	<u>4,963</u>	<u>3,412</u>

**Bullock Creek School District**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures**  
**For the Years Ended June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Total career and technical education	<u>141,200</u>	<u>143,776</u>
Total added needs	<u>2,698,352</u>	<u>2,547,142</u>
<b>Adult and continuing education - secondary</b>		
Purchased services	<u>654,430</u>	<u>619,177</u>
<b>Pupil - guidance services</b>		
Salaries	330,550	297,245
Employee benefits	174,051	162,286
Purchased services	5,310	6,811
Supplies and materials	<u>5,740</u>	<u>7,804</u>
Total guidance services	<u>515,651</u>	<u>474,146</u>
<b>Pupil - psychological services</b>		
Purchased services	56,427	53,027
Supplies and materials	<u>780</u>	<u>987</u>
Total psychological services	<u>57,207</u>	<u>54,014</u>
<b>Pupil - speech and hearing services</b>		
Salaries	135,135	145,040
Employee benefits	73,952	83,191
Purchased services	108,386	80,589
Supplies and materials	<u>328</u>	<u>880</u>
Total speech and hearing services	<u>317,801</u>	<u>309,700</u>
<b>Pupil - social work services</b>		
Salaries	37,459	33,856

**Bullock Creek School District**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures**  
**For the Years Ended June 30, 2008 and 2007**

	<b>2008</b>	2007
Employee benefits	<b>23,194</b>	19,817
Purchased services	<b>959</b>	784
Supplies and materials	<b>717</b>	528
	<hr/>	<hr/>
Total social work services	<b>62,329</b>	54,985
	<hr/>	<hr/>
<b>Pupil - other support services</b>		
Salaries	<b>64,954</b>	62,487
Employee benefits	<b>15,912</b>	15,732
	<hr/>	<hr/>
Total other pupil support services	<b>80,866</b>	78,219
	<hr/>	<hr/>
Total pupil	<b>1,033,854</b>	971,064
	<hr/>	<hr/>
<b>Instructional staff - improvement of education</b>		
Salaries	<b>119,234</b>	65,628
Employee benefits	<b>48,894</b>	24,039
Purchased services	<b>40,050</b>	38,044
Supplies and materials	<b>11,550</b>	2,819
Other	<b>384</b>	35
	<hr/>	<hr/>
Total improvement of education	<b>220,112</b>	130,565
	<hr/>	<hr/>
<b>Instructional staff - educational media services</b>		
Salaries	<b>169,643</b>	160,667
Employee benefits	<b>76,008</b>	75,723
Supplies and materials	<b>31,855</b>	28,219
Other	<b>9,585</b>	9,953
	<hr/>	<hr/>
Total educational media services	<b>287,091</b>	274,562
	<hr/>	<hr/>

**Bullock Creek School District**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures**  
**For the Years Ended June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b>Instructional staff - technology assisted instruction</b>		
Salaries	124,929	126,837
Employee benefits	56,979	60,035
Purchased services	85,208	88,281
Supplies and materials	193,870	291,723
Other	<u>40</u>	<u>1,217</u>
Total technology assisted instruction	<u>461,026</u>	<u>568,093</u>
<b>Instructional staff - supervision and direction of instructional staff</b>		
Salaries	87,617	87,417
Employee benefits	45,152	46,450
Purchased services	1,875	2,496
Supplies and materials	2,360	269
Other	<u>-</u>	<u>130</u>
Total supervision and direction of instructional staff	<u>137,004</u>	<u>136,762</u>
<b>Instructional staff - academic student assessment</b>		
Purchased services	<u>11</u>	<u>-</u>
Total instructional staff	<u>1,105,244</u>	<u>1,109,982</u>
<b>General administration - board of education</b>		
Salaries	2,140	1,960
Purchased services	60,941	95,767
Supplies and materials	1,711	193
Other	<u>6,625</u>	<u>7,369</u>
Total board of education	<u>71,417</u>	<u>105,289</u>



**Bullock Creek School District**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures**  
**For the Years Ended June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b>General administration - executive administration</b>		
Salaries	135,377	135,025
Employee benefits	71,347	71,017
Purchased services	10,167	7,308
Supplies and materials	2,728	3,667
Other	<u>1,713</u>	<u>2,089</u>
Total executive administration	<u>221,332</u>	<u>219,106</u>
Total general administration	<u>292,749</u>	<u>324,395</u>
 <b>School administration - office of the principal</b>		
Salaries	656,093	707,782
Employee benefits	345,433	356,266
Purchased services	26,276	27,905
Supplies and materials	6,139	8,029
Other	<u>3,709</u>	<u>3,713</u>
Total office of the principal	<u>1,037,650</u>	<u>1,103,695</u>
 <b>School administration - other</b>		
Supplies and materials	<u>2,341</u>	<u>1,896</u>
Total school administration	<u>1,039,991</u>	<u>1,105,591</u>
 <b>Business - fiscal services</b>		
Salaries	110,486	112,980
Employee benefits	55,976	56,736
Purchased services	27,224	23,264

**Bullock Creek School District**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures**  
**For the Years Ended June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Supplies and materials	3,408	3,266
Other	<u>1,348</u>	<u>1,561</u>
Total fiscal services	<u>198,442</u>	<u>197,807</u>
<b>Business - other</b>		
Purchased services	41,898	46,596
Other	<u>151,609</u>	<u>159,314</u>
Total other business	<u>193,507</u>	<u>205,910</u>
Total business	<u>391,949</u>	<u>403,717</u>
<b>Operations and maintenance - operating building services</b>		
Salaries	548,115	606,992
Employee benefits	307,343	330,001
Purchased services	172,324	163,216
Supplies and materials	362,100	353,783
Other	<u>1,236</u>	<u>2,110</u>
Total operating building services	<u>1,391,118</u>	<u>1,456,102</u>
<b>Pupil transportation services</b>		
Salaries	476,521	470,126
Employee benefits	163,236	157,642
Purchased services	47,206	34,104
Supplies and materials	254,102	191,242
Other	<u>9,244</u>	<u>6,572</u>
Total transportation services	<u>950,309</u>	<u>859,686</u>

**Bullock Creek School District**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures**  
**For the Years Ended June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b>Central - staff/personnel services</b>		
Purchased services	17,254	17,933
Supplies and materials	<u>113</u>	<u>-</u>
Total staff/personnel services	<u>17,367</u>	<u>17,933</u>
 <b>Central - support services technology</b>		
Purchased services	<u>40,399</u>	<u>41,191</u>
Total central	<u>57,766</u>	<u>59,124</u>
 <b>Other supporting services</b>		
Salaries	4,000	3,588
Employee benefits	975	1,842
Purchased services	31,528	25,359
Supplies and materials	<u>1,007</u>	<u>626</u>
Total other supporting services	<u>37,510</u>	<u>31,415</u>
 <b>Community services - community activities</b>		
Purchased services	480	52
Supplies and materials	<u>6,176</u>	<u>240</u>
Total community activities	<u>6,656</u>	<u>292</u>

**Bullock Creek School District**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures**  
**For the Years Ended June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b>Community services - custody and care of children</b>		
Purchased services	<u>24,050</u>	<u>18,532</u>
<b>Community services - non-public school pupils</b>		
Salaries	485	560
Employee benefits	118	123
Purchased services	189	260
Supplies and materials	<u>714</u>	<u>780</u>
Total non-public school pupils	<u>1,506</u>	<u>1,723</u>
Total community services	<u>32,212</u>	<u>1,775</u>
<b>Capital outlay</b>		
Basic program - elementary	96,113	-
Basic program - middle school	47,711	-
Basic program - high school	93,115	-
Instructional staff - technology assisted instruction	195,210	251,435
Business - fiscal services	8,770	-
Operations and maintenance - operating building services	4,971	20,923
Pupil transportation services	<u>83,252</u>	<u>319,691</u>
Total capital outlay	<u>529,142</u>	<u>592,049</u>
<b>Debt service</b>		
Principal	11,772	-
Interest and other expenditures	<u>2,051</u>	<u>-</u>
Total debt service	<u>13,823</u>	<u>-</u>

**Bullock Creek School District**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures**  
**For the Years Ended June 30, 2008 and 2007**

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	<u>2008</u>	<u>2007</u>
<b>Other financing uses</b>		
Transfers out	<u>283,683</u>	<u>232,592</u>
 Total expenditures and financing uses	 <u><b>\$ 17,950,289</b></u>	 <u><b>\$ 17,389,998</b></u>

**Bullock Creek School District**  
**Other Supplemental Information**  
**Fiduciary Funds**  
**Statement of Changes in Amounts Due to Student Groups**  
**For the Year Ended June 30, 2008**

	Due to (From) Student Groups July 1, 2007	Cash Receipts	Cash Disbursements	Due to (From) Student Groups June 30, 2008
Administration	\$ 3,931	\$ 7,651	\$ 4,644	\$ 6,938
Adult Volleyball Co-Ed	1,427	1,372	790	2,009
Archery	5,672	7,709	6,667	6,714
Archery Club	-	320	316	4
Athletics	-	1,736	221	1,515
Auditorium Equipment Donations	151	341	430	62
Baseball	6,371	6,198	9,100	3,469
Bullock Creek Elementary	6,313	4,677	4,769	6,221
Bus. Prof. Of America	840	5,710	6,638	(88)
Cheerleaders	1,664	17,457	19,718	(597)
Class of 2007	2,985	110	816	2,279
Class of 2008	1,991	6,302	7,956	337
Class of 2009	360	7,896	5,940	2,316
Class of 2010	62	1,586	250	1,398
Community Theater	-	720	92	628
Creekers Against Cancer	164	6,270	5,511	923
Creekers Custom Pins	333	13	-	346
Cross Country	-	3,310	2,928	382
Custodial Account	656	25	24	657
Drama Club	7,690	2,638	1,058	9,270
Elementary School Libraries	584	788	881	491
Elementary Science Equipment	262	10	272	-
Floyd Elementary	3,261	22,103	18,306	7,058
Floyd Food Pantry	163	6	-	169
Floyd Library	553	331	682	202
Forensics Club	698	416	976	138
Girls Basketball	4,780	6,458	5,056	6,182
Golf	430	3,077	3,364	143
Golf Outing	1,624	9,211	9,459	1,376

**Bullock Creek School District**  
**Other Supplemental Information**  
**Fiduciary Funds**  
**Statement of Changes in Amounts Due to Student Groups**  
**For the Year Ended June 30, 2008**

	Due to (From) Student Groups July 1, 2007	Cash Receipts	Cash Disbursements	Due to (From) Student Groups June 30, 2008
High School Band	6	-	-	6
High School Basketball	6,110	6,899	6,718	6,291
High School Football	5,001	6,088	10,327	762
High School Library	2,982	3,040	3,936	2,086
High School Media Class	77	179	224	32
High School Miscellaneous	1,102	4,155	2,304	2,953
High School Office	4,490	10,237	13,350	1,377
High School Student Council	2,745	5,593	4,625	3,713
Jason Arthur	1,574	58	500	1,132
K. Johnston Popcorn	539	343	771	111
Lancer Spirit Awards	1,253	46	500	799
Marketing Committee Fund	796	5,772	7,681	(1,113)
Math Competition Club	286	11	-	297
Middle School Cheerleaders	700	630	579	751
Middle School Landscaping	-	3,619	1,098	2,521
Middle School Library	922	1,602	872	1,652
Middle School Office	4,829	5,517	7,711	2,635
Middle School Play	1,534	816	661	1,689
Middle School PTP	2,423	151	538	2,036
Middle School Spanish	658	1,874	1,950	582
Middle School Student Council	7,751	41,464	33,524	15,691
Middle School Teachers Coke	325	291	500	116
Middle School Teams	7,134	11,965	17,401	1,698
Middle School Yearbook	(731)	7,165	7,925	(1,491)
Miscellaneous	4,014	117	4,131	-
Morgan Cyr-Holsinger Scholarship	-	527	-	527
Multi-purpose Facility	(5,075)	7,875	2,707	93
National Art Honor Society	271	161	346	86
National Honor Society	1,764	3,546	3,788	1,522

**Bullock Creek School District**  
**Other Supplemental Information**  
**Fiduciary Funds**  
**Statement of Changes in Amounts Due to Student Groups**  
**For the Year Ended June 30, 2008**

	Due to (From) Student Groups July 1, 2007	Cash Receipts	Cash Disbursements	Due to (From) Student Groups June 30, 2008
Pep Club	23	1	-	24
Pine River Elementary	6,001	18,788	15,408	9,381
Pine River Library	202	-	202	-
S.A.D.D.	253	1,104	344	1,013
Soccer	32	1	-	33
Softball	2,561	2,675	4,064	1,172
Spanish Club	1,165	1,512	1,506	1,171
Student Assistance	79	3	-	82
Summer Work Camp 2007	20,564	474	17,157	3,881
Tennis	1,809	1,791	1,374	2,226
Transportation	4	110	114	-
Volleyball	1,298	9,047	7,138	3,207
Wrestling Club	2,147	13,962	13,228	2,881
Writing/Poetry Club	177	7	-	184
Yearbook	7,909	11,657	10,838	8,728
	<u>7,909</u>	<u>11,657</u>	<u>10,838</u>	<u>8,728</u>
Total	<u>\$ 150,669</u>	<u>\$ 315,314</u>	<u>\$ 322,904</u>	<u>\$ 143,079</u>



**Bullock Creek School District**  
**Schedule of Outstanding Bonded Indebtedness - 1998 Issue**  
**June 30, 2008**

Date of issue: November 1, 1998

Original amount of issue: \$2,990,000

Purpose of this issue: Refund 1994 bonds maturing 5/1/2005 thru 5/1/2019

Interest Rate	Fiscal Year	Semi-Annual Interest Payments		Annual Maturity May 1st	Total Fiscal Year Requirements
		November 1st	May 1st		
4.10	2008-09	\$ 48,468	\$ 48,468	\$ 155,000	\$ 251,936
4.15	2009-10	45,290	45,290	165,000	255,580
4.20	2010-11	41,866	41,866	175,000	258,732
4.25	2011-12	38,191	38,191	180,000	256,382
4.30	2012-13	34,366	34,366	190,000	258,732
4.40	2013-14	30,281	30,281	200,000	260,562
4.45	2014-15	25,881	25,881	210,000	261,762
4.50	2015-16	21,209	21,209	225,000	267,418
4.55	2016-17	16,146	16,146	235,000	267,292
4.50	2017-18	10,800	10,800	240,000	261,600
4.50	2018-19	5,400	5,400	240,000	250,800
		<u>\$ 317,898</u>	<u>\$ 317,898</u>	<u>\$ 2,215,000</u>	<u>\$ 2,850,796</u>

**Bullock Creek School District**  
**Schedule of Outstanding Bonded Indebtedness - 2000 Issue**  
**June 30, 2008**

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Date of issue: 2000

Original amount of issue: \$14,500,000

Purpose of this issue: Construction of school educational facilities

Interest Rate	Fiscal Year	Semi-Annual Interest Payments		Annual Maturity May 1st	Total Fiscal Year Requirements
		November 1st	May 1st		
4.750	2008-09	\$ 123,062	\$ 123,062	\$ 550,000	\$ 796,124
4.800	2009-10	110,000	110,000	550,000	770,000
5.875	2010-11	96,800	96,800	550,000	743,600
5.875	2011-12	<u>80,644</u>	<u>80,644</u>	<u>550,000</u>	<u>711,288</u>
		<u>\$ 410,506</u>	<u>\$ 410,506</u>	<u>\$ 2,200,000</u>	<u>\$ 3,021,012</u>

**Bullock Creek School District**  
**Schedule of Outstanding Bonded Indebtedness - 2004 Issue**  
**June 30, 2008**

Date of issue: 2004

Original amount of issue: \$6,200,000

Purpose of this issue: Refund 2000 bonds maturing 5/1/2012 thru 5/1/2022

Interest Rate	Fiscal Year	Semi-Annual Interest Payments		Annual Maturity May 1st	Total Fiscal Year Requirements
		November 1st	May 1st		
2.250	2008-09	\$ 110,758	\$ 110,757	\$ 55,000	\$ 276,515
2.550	2009-10	110,139	110,139	55,000	275,278
2.800	2010-11	109,438	109,437	60,000	278,875
3.050	2011-12	108,597	108,598	60,000	277,195
3.250	2012-13	107,682	107,682	610,000	825,364
3.350	2013-14	97,770	97,770	605,000	800,540
3.500	2014-15	87,636	87,636	595,000	770,272
3.600	2015-16	77,224	77,224	590,000	744,448
3.700	2016-17	66,604	66,604	580,000	713,208
3.800	2017-18	55,874	55,874	570,000	681,748
3.900	2018-19	45,044	45,044	565,000	655,088
4.100	2019-20	34,026	34,026	555,000	623,052
4.150	2020-21	22,649	22,649	545,000	590,298
4.200	2021-22	11,340	11,340	540,000	562,680
		<u>\$ 1,044,781</u>	<u>\$ 1,044,780</u>	<u>\$ 5,985,000</u>	<u>\$ 8,074,561</u>

**Bullock Creek School District**  
**Schedule of Outstanding Bonded Indebtedness - 2005 Issue**  
**June 30, 2008**

Date of issue: 2005

Original amount of issue: \$2,640,000

Purpose of this issue: Refund 2000 bonds maturing 5/1/2022 thru 5/1/2026

Interest Rate	Fiscal Year	Semi-Annual Interest Payments		Annual Maturity May 1st	Total Fiscal Year Requirements
		November 1st	May 1st		
3.000	2008-09	\$ 53,765	\$ 53,765	\$ 15,000	\$ 122,530
3.050	2009-10	53,540	53,540	15,000	122,080
3.150	2010-11	53,312	53,312	15,000	121,624
3.300	2011-12	53,076	53,076	15,000	121,152
3.400	2012-13	52,828	52,828	15,000	120,656
3.500	2013-14	52,573	52,573	15,000	120,146
3.625	2014-15	52,311	52,311	15,000	119,622
3.750	2015-16	52,039	52,039	15,000	119,078
3.800	2016-17	51,757	51,757	15,000	118,514
4.000	2017-18	51,473	51,473	20,000	122,946
4.000	2018-19	51,072	51,072	20,000	122,144
4.100	2019-20	50,673	50,673	20,000	121,346
4.100	2020-21	50,262	50,262	20,000	120,524
4.100	2021-22	49,853	49,853	20,000	119,706
4.100	2022-23	49,442	49,442	620,000	718,884
4.150	2023-24	36,733	36,733	610,000	683,466
4.200	2024-25	24,075	24,075	600,000	648,150
4.250	2025-26	11,475	11,475	540,000	562,950
		<u>\$ 850,259</u>	<u>\$ 850,259</u>	<u>\$ 2,605,000</u>	<u>\$ 4,305,518</u>

**Bullock Creek School District**  
**Schedule of Outstanding Bonded Indebtedness - 2006 Energy Conservation Bonds**  
**June 30, 2008**

Date of issue: 2006

Original amount of issue: \$330,000

Purpose of this issue: Middle and Elementary School roofs replacements/energy conservation

Interest Rate	Fiscal Year	Semi-Annual Interest Payments		Annual Maturity May 1st	Total Fiscal Year Requirements
		November 1st	May 1st		
3.950	2008-09	\$ 5,844	\$ 5,844	\$ 30,000	\$ 41,688
4.000	2009-10	5,251	5,251	30,000	40,502
4.050	2010-11	4,651	4,651	30,000	39,302
4.100	2011-12	4,044	4,044	35,000	43,088
4.150	2012-13	3,326	3,326	35,000	41,652
4.250	2013-14	2,600	2,600	40,000	45,200
4.350	2014-15	1,750	1,750	40,000	43,500
4.400	2015-16	880	880	40,000	41,760
		<u>\$ 28,346</u>	<u>\$ 28,346</u>	<u>\$ 280,000</u>	<u>\$ 336,692</u>



6018 Eastman Avenue  
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(989) 631-6060 / (800) 701-3574  
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September 12, 2008

Management and the Board of Education  
Bullock Creek School District  
Midland, Michigan

We have completed our audit of the financial statements of Bullock Creek School District as of and for the year ended June 30, 2008 and have issued our report dated September 12, 2008. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

I Auditors' Communication of Significant Matters with Those Charged with Governance

II Management Comments

We discussed these matters with various personnel in the organization during the audit and with management. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Board of Directors, others within the organization, and are not intended to be and should not be used by anyone other than those specified parties.

Very truly yours,

*Yeo & Yeo, P.C.*

Midland, Michigan  
September 12, 2008

Appendix I  
Communication to Those Charged with Governance

**Responsibilities under generally accepted auditing standards**

As stated in our engagement letter dated May 7, 2008, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Our responsibility, as prescribed by US GAAS, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects. Our audit does not relieve you of your responsibilities.

**Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

**Significant Audit Findings**

**Qualitative Aspects of Accounting Practices**

- Management is responsible for the selection and use of appropriate accounting policies. We will advise management about their appropriateness and application. The significant accounting policies are described in (Note 1) of the financial statements. We noted no transactions entered into by the organization during the year where there is lack of authoritative guidance or consensus. There are no significant transactions that were recognized in a period other than which they occurred.
- Accounting estimates are based on management's knowledge and experience about past and current events and assumptions. Some estimates are sensitive because of their significance to the financial statements and the fact that future events affecting them may differ from those expected.
- Disclosures in the financial statements are neutral, consistent and clear. Certain disclosures are more sensitive than others due to their relevance to the users of the financial statements.

**Difficulties Encountered During the Audit**

No difficulties were encountered during the audit.

**Corrected and Uncorrected Misstatements**

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all adjustments.

## **Disagreements with Management**

A disagreement with management is defined as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, which could be significant, individually or in the aggregate to the financial statements or the auditors' report. We had no disagreements with management during the audit.

## **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

## **Management's Consultations with Other Accountants**

From time to time, management may decide to consult with other accountants about audit and accounting matters. Should this occur, professional standards require the consulting accountant to communicate with us to determine that they have all the relevant facts. To our knowledge, there were no consultations with other accountants during the year.

## **Significant Issues Discussed or Subject to Correspondence with Management**

From time to time auditors discuss significant issues with management such as business conditions affecting the entity, business plans and strategies that may affect the risk of material misstatement and the application of accounting principles and auditing standards. The issues discussed during the audit occurred during the normal course of our professional relationship and our responses were not a condition to our retention.

## **Other Reports**

Other information that is required to be reported to you is included in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133, and the Schedule of Findings and Questioned Costs. Please read all information included in those reports to ensure you are aware of relevant information.



## Appendix II Management Comments

In planning and performing our audit of the financial statements of Bullock Creek School District as of and for the year ended June 30, 2008, we considered Bullock Creek School District internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls, improving operating efficiency and reducing expenses. This letter does not affect our report date September 12, 2008, on the financial statements of Bullock Creek School District. Our comments and recommendations regarding those matters are:

### **SEPARATION OF DUTIES – ATHLETIC EVENTS**

As part of the internal control process, collection and reconciliation of cash/gate receipts should have more separation of duties. We noted one person currently counts all cash received during athletic events and reconciles the cash to the number of tickets sold. This person also prepares the deposit slip and takes the deposit to the bank.

#### **Recommendation**

We recommend an additional person count the cash the night of the athletic event and sign-off on a spreadsheet with their initials, date, and the amount of the deposit. This would ensure the amount that was counted the night of the athletic event agrees to the deposits slip, and protect the persons working and the District's assets.